



Office of the Vice President for Administration
(714) 773-2115

October 1, 1986

TO: Members of the Academic Senate
FROM: Sal D. Rinella *Sal*
SUBJECT: Hotel/Sports Complex

At the meeting of the Academic Senate that I attended on September 11 there were a few questions that I could not answer because we had not yet fully discussed certain details with the City. Also, there have been some questions that arose in one-to-one conversations since the meeting. Since I spoke with you we have had lengthy meetings with the City and I would like to provide you with the answers, as I said that I would, on certain questions you asked. First, let me summarize the basis of the financial arrangements:

- a) CSUF will lease approximately 3.15 acres to the City who will, in turn, sublease it to the Marriott Corporation. Marriott will build a six story, 224 room hotel with 4,000 square feet of conference and meeting space. In return, Marriott will pay the City rent for the land, based on a graduated percentage of total room revenues Marriott earns.
- b) In its name, the City will sell bonds to help finance a portion (46%) of a Sports Complex, comprised of a 10,000 seat football stadium, track, improvements to our baseball stadium, construction of two softball fields and installation of lighting to several playing fields and the Hotel parking deck. Marriott's rent payments to the City will be used to retire the bond debt. The rest of the necessary construction funds (54%) will be provided in "cash" by the City. When completed, the new sports facilities will belong to CSUF.
- c) Until the debt is retired, the payments that Marriott makes will go toward the annual payments on the bonds that the City sells -- projected at 30-35 years hence depending upon the total room revenues that Marriott generates. When the bond payments are no longer required, Marriott's annual payments will flow through the City to the University. In 30-35 years, Marriott's payments are modeled to be in the area of \$750,000-\$1,000,000 per year.
(Year 2056)
- d) In 70 years, the arrangement will end and the hotel will be deeded over to CSUF. In sum, we will have gained a \$16,000,000 hotel and a \$ 6,700,000 Sports Complex with no cash outlay by the University. Additionally, we will have received annual payments of \$750,000-\$1,000,000 for the 35-40 years after the bonds have been paid off. At the end of 70 years the hotel will belong to the University and we can use it for whatever we wish -- student housing, offices, continue it as a hotel, etc.

Now, here are the questions and answers on some of the questions asked of me both at the meeting and after:

1) Q: Will the University have to pay anything if the annual payment from Marriott is less than an annual bond payment?

A: No. When revenues fall short of annual debt requirements, the City will advance this project the money and repay itself later when the revenues are available. The City has full responsibility for the bonds that are sold.

2) Q: Will the University get to keep revenues that come in over and above the debt requirements?

A: Ultimately, yes. The first obligation for the Marriott revenues is to pay off the debt. Excess revenues will flow there until the entire debt is paid off; then all revenues will come to us.

3) Q: How will the additional elements of the Sports Complex be maintained?

A: It will be maintained by a combination of rent to outside groups, including the local school district who want to use the football, baseball, softball, and soccer fields for community and high school games; and gate receipts from our own games. A financial plan for the maintenance of the Sports Complex shows that we will be able to maintain the facility without drawing upon current resources.

4) Q: Will the University be required to hold a fundraising drive to help pay for the stadium?

A: No, there will not be a requirement to raise funds as the agreement with the former development did. We have been told that some City officials feel that the University ought to make a "good faith effort" at fund raising and we may be hearing words to this effect at public meetings. Also, we should have a special sinking fund to deal with major maintenance and equipment repair. So, ultimately we may decide to hold a fund drive for maintenance or equipment at the Sports Complex. But, it will be above and beyond the funding required to construct the facility.

5) Q: What if Marriott's projected revenues for the project do not materialize? Further, where will the University be left in the highly unlikely event that the Marriott Corporation goes bankrupt?

A: In the event the projected revenues do not materialize, the City will have to pay the long term debt on the stadium since the bonds are being sold in its name. If Marriott goes bankrupt, any arrangements regarding the Hotel will require the approval of the University. Also, the contract states that an alternate owner/operator will only be considered if it is equal or better than Marriott, in terms of Marriott's current financial security and reputation.

6) Q: Is Hotel/Sports Complex an appropriate use of Redevelopment Funds?

A: As I said at the meeting, this is an issue more within the purview of the City than us. I spoke with individuals with the City and the Chancellor's office and the interpretation is that the project is within the letter and spirit of the Redevelopment Program. Redevelopment programs work by identifying particular "project areas" and identifying the major social needs of each area. We are in Project Area III and the need here is to develop recreational and sports facilities to serve the population in one of the fastest growing areas of Fullerton. The City needs baseball fields in this area, it needs a major stadium, it needs lighted areas for soccer and other field sports. And, we need those same things, so the project is mutually beneficial. At this stage it's not possible to change the project to something other than sports facilities.

7) Q: How many seats will be in the hotel's cafe'?

A: The food facility (positioned in the marketplace to handle, primarily, breakfast, lunch and light dinners) will seat 125-150 people-- close to double the capacity of our University Club.

8) Q: What's all involved with the Sports Complex project and what has been done so far?

A: The Sports Complex includes a) lighting our intercollegiate baseball field; b) building two softball fields and lighting one of them -- making it useful for our women's intercollegiate softball program; c) lighting an area for field sports such as soccer; d) constructing a 10,000 seat football stadium; e) providing a track; f) constructing a baseball pavilion with seating for 2,000.

Anticipating the completion of the Hotel/Sports Complex some years ago, the City advanced the project about \$450,000 to complete items a), b), and c) in 1983. No design work has yet been done on the football and baseball facilities other than some preliminary work to verify the costs of constructing facilities of their type. A Building Committee has been appointed in the customary fashion to develop the plans for the football and baseball facilities. The Committee is made up of the following individuals, many of whom will be the primary users of the facility: Ron Andris, Ed Carroll, Lee Gilbert, Terry Galvin (Redevelopment Manager for the City), Augie Garrido, Gene Murphy, Jim Sharp (ex officio) Ray Spencer, Eula Stovall and Pat Wegner.

9) Q: Will the Hotel be hiring our students?

A: Until the time I spoke with you on September 11 we had not yet discussed any formal arrangements other than a brief conversation with the Marriott people that we had a rich pool of potential employees with our student body. Since that discussion, we followed

up on that point and can report that the Marriott Corporation has a internship program with Colleges and Universities and would look forward to establishing a program here. Additionally, Marriott has specified that it will likely be hiring about 150 individuals to staff the Hotel and would indeed like to hire our students for the variety of different positions if they are interested.

10) Q: Have we considered starting a Hotel/Motel Management Program since we will have a hotel adjacent to our campus?

A: I spoke briefly with Dennis Berg about this and learned that within the last few years the CSU consortium, which has a hotel/motel program, requested that a program be started in our service area. We did not pursue the idea since Cal Poly Pomona has a program nearby and hotel/motel management programs are very expensive.

These are the questions that arose in our discussion and since. We are pleased how the details have been worked out and are confident that the financial arrangements fully protect the University and maximize its ability to enjoy the most use of any revenues that Marriott produces. As I said before, there are enormous capital and financial advantages to us in that we'll gain, at no monetary cost, needed facilities that we'd never be able to build on our own, a total of about \$35-40 million in revenue flowing to us when the bonded indebtedness is paid off on the Hotel (and likely longer if the structure continues as a Hotel beyond 70 years). We'll also have the advantages of business/University linkage with one of the best run corporations in the country, and good conference facilities that can be expanded as the market expands.

I will keep the Senate informed as things develop.

SDR:sm